

AMENDED IN ASSEMBLY AUGUST 24, 2012

AMENDED IN ASSEMBLY AUGUST 20, 2012

AMENDED IN ASSEMBLY AUGUST 15, 2012

AMENDED IN SENATE APRIL 25, 2011

SENATE BILL

No. 533

Introduced by Senator Wright

(Principal coauthor: Assembly Member Bradford)

February 17, 2011

An act relating to the Inglewood Unified School District, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 533, as amended, Wright. Inglewood Unified School District: emergency loan.

(1) Existing law provides for emergency apportionments to school districts subject to specified conditions, including, in certain circumstances, the repayment of an emergency loan over a period of no more than 20 years and the appointment by the Superintendent of Public Instruction of an administrator who would exercise the powers and responsibilities of the governing board of the school district.

This bill would express the intent of the Legislature to provide emergency apportionment assistance to the Inglewood Unified School District, and require the Superintendent to assume all the rights, duties, and powers of the governing board of the Inglewood Unified School District and to appoint, in consultation with the Los Angeles County Superintendent of Schools, a state administrator to act on behalf of the

Superintendent in exercising the Superintendent's authority over the school district.

The bill would continue the authority of the Superintendent and the state administrator over the Inglewood Unified School District until certain enumerated conditions are met, including the completion of assessment and improvement plans for the school district.

The bill would require the County Office Fiscal Crisis and Management Assistance Team (FCMAT) to provide specified assistance relating to the development of a multiyear financial recovery plan, the preparation of budget reports, and the recommendation of activities that could enhance revenue or achieve cost savings.

The bill would require the Inglewood Unified School District to bear 100% of the costs associated with implementing the provisions of the bill relating to the administration of the emergency apportionment assistance and the activities of the FCMAT, thereby imposing a state-mandated local program.

The bill would appropriate up to \$29,000,000 from the General Fund to the Superintendent for apportionment as an emergency loan to the Inglewood Unified School District, and would specify procedures for repayment of the loan *unless the loan has been refinanced, as specified*. The bill would authorize the school district to augment the emergency *apportionment or* loan with an additional \$26,000,000 of ~~lease~~ *bank* financing, as provided. The bill would authorize the school district to sell property owned by the school district from September 1, 2012, to June 30, 2015, inclusive, and use the proceeds from the sale to reduce or retire the emergency loan, and would prohibit the school district from being eligible for financial hardship assistance under the Leroy F. Greene School Facilities Act of 1998 from June 1, 2012, to June 30, 2015, inclusive.

(2) This bill would make legislative findings and declarations that the unique circumstances of the Inglewood Unified School District warrant the enactment of a special statute.

(3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

(4) This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: yes. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares all of the
2 following:

3 (a) Providing a quality education that meets the unique needs
4 of the pupils of the Inglewood Unified School District is a
5 fundamental goal that should not be jeopardized.

6 (b) On April 12, 2012, the Los Angeles County Office of
7 Education notified the Inglewood Unified School District of its
8 budget negative certification. Negative certification is assigned
9 when a school district will be unable to meet its financial
10 obligations for the remainder of the fiscal year or the subsequent
11 fiscal year. In December 2010, the Los Angeles County Office of
12 Education assigned a fiscal advisor to monitor the operations of
13 the Inglewood Unified School District.

14 (c) The budget analysis conducted by the Los Angeles County
15 Office of Education indicates that the Inglewood Unified School
16 District is deficit spending, unable to maintain a prudent reserve
17 for economic uncertainty, will have a negative General Fund
18 balance for the 2012–13 fiscal year, and insufficient reserves for
19 the two subsequent fiscal years to meet all of its financial
20 obligations.

21 (d) The Inglewood Unified School District is facing fiscal and
22 cash insolvency as a result of organizational decisionmaking,
23 overstating average daily attendance, understating California State
24 Teachers' Retirement System payments, understating certificated
25 salary expenses, and continued deficit spending.

26 (e) The enrollment of the Inglewood Unified School District is
27 declining which further exacerbates its fiscal circumstances.

28 (f) The Inglewood Unified School District is projected to run
29 out of cash to support its routine operations and expenditures at
30 the end of March 2013, and it will require an emergency
31 appropriation from the state in order to continue the delivery of
32 educational services to pupils enrolled in the school district.

33 SEC. 2. It is the intent of the Legislature to provide emergency
34 appropriation assistance to the Inglewood Unified School District,
35 and invoke the provisions of Article 2 (commencing with Section

1 41320) of, and Article 2.5 (commencing with Section 41325) of,
2 Chapter 3 of Part 24 of Division 3 of Title 2 of the Education Code,
3 except as otherwise provided in this act, in order to restore the
4 school district to fiscal solvency.

5 SEC. 3. As provided in subdivision (b) of Section 41326 of
6 the Education Code, the Superintendent of Public Instruction shall
7 assume all legal rights, duties, and powers of the governing board
8 of the Inglewood Unified School District, and shall appoint a state
9 administrator, in consultation with the county superintendent of
10 schools, to act on his or her behalf in carrying out the requirements
11 of Article 2 (commencing with Section 41320) of, and Article 2.5
12 (commencing with Section 41325) of, Chapter 3 of Part 24 of
13 Division 3 of Title 2 of the Education Code. Notwithstanding
14 subdivision (e) of Section 41326 of the Education Code, the
15 authority of the Superintendent of Public Instruction and the state
16 administrator shall continue until all of the following occur:

17 (a) (1) At any time after one complete fiscal year has elapsed
18 following the school district's acceptance of a loan as described
19 in subdivision (a) of Section 41326 of the Education Code, the
20 state administrator determines, and so notifies the Superintendent
21 of Public Instruction and the county superintendent of schools,
22 that future compliance by the school district with the recovery
23 plans approved pursuant to subdivision (b) is probable.

24 (2) The Superintendent of Public Instruction may return power
25 to the governing board of the school district for any area listed in
26 subdivision (a) of Section 41327.1 of the Education Code, if
27 performance under the recovery plan for that area has been
28 demonstrated to the satisfaction of the Superintendent of Public
29 Instruction.

30 (b) The Superintendent of Public Instruction has approved all
31 of the recovery plans referred to in subdivision (a) of Section 41327
32 of the Education Code, and the County Office Fiscal Crisis and
33 Management Assistance Team completes the improvement plans
34 specified in Section 41327.1 of the Education Code and has
35 completed a minimum of two reports identifying the school
36 district's progress in implementing the improvement plans.

37 (c) The state administrator certifies that all necessary collective
38 bargaining agreements have been negotiated and ratified, and that
39 the agreements are consistent with the terms of the recovery plans.

1 (d) The school district has completed all reports required by the
2 Superintendent of Public Instruction and the state administrator.

3 (e) The state administrator certifies that the members of the
4 school board and school district personnel, as appropriate, have
5 successfully completed the training specified in subdivision (b) of
6 Section 7 of this act.

7 (f) The Superintendent of Public Instruction determines that
8 future compliance by the school district with the recovery plans
9 approved pursuant to subdivision (b) is probable.

10 SEC. 4. In addition to the implementation of subdivision (b)
11 of Section 41325 of the Education Code, it is the intent of the
12 Legislature that the Superintendent of Public Instruction, operating
13 through the appointed state administrator, do all of the following:

14 (a) Work with the staff and governing board of the Inglewood
15 Unified School District to identify the procedures and programs
16 that the school district will implement during the 2012–13 school
17 year and future school years that do all of the following:

- 18 (1) Significantly raise pupil achievement.
- 19 (2) Improve pupil attendance.
- 20 (3) Lower pupil dropout rate.
- 21 (4) Increase parental involvement.
- 22 (5) Attract, retain, and train a quality teaching staff.
- 23 (6) Manage fiscal expenditures in a manner that is consistent
24 with the current and projected revenues of the school district.

25 (b) Analyze the identified procedures and programs and, where
26 applicable and appropriate, protect, maintain, and expand them as
27 the budget of the school district allows. The state administrator
28 shall report any findings applicable to this section to the
29 Superintendent of Public Instruction and the education committees
30 of the Legislature.

31 (c) To the extent allowed by school district finances, maintain,
32 under the revised program, core educational reforms that will lead
33 to districtwide improvement of academic achievement, including,
34 but not necessarily limited to, educational reforms targeting
35 underperforming and program improvement schools and other
36 reforms that have demonstrated measurable success.

37 SEC. 5. (a) The County Office Fiscal Crisis and Management
38 Assistance Team (FCMAT), with concurrence from the
39 Superintendent of Public Instruction, shall, with respect to the
40 Inglewood Unified School District, do all of the following:

1 (1) Provide assistance to the state administrator in the
2 development of the first annual multiyear financial recovery plan
3 required under paragraph (2) of subdivision (a) of Section 41327
4 of the Education Code.

5 (2) Provide assistance to the state administrator in the
6 development of the adopted budget and interim reports.

7 (3) Recommend to the Superintendent of Public Instruction any
8 studies or activities that should be undertaken by the state
9 administrator to enhance revenue or achieve cost savings.

10 (4) Provide any other assistance as described in Section 42127.8
11 of the Education Code.

12 (b) The Inglewood Unified School District shall bear 100 percent
13 of all costs associated with implementing Article 2.5 (commencing
14 with Section 41325) of Chapter 3 of Part 24 of Division 3 of Title
15 2 of the Education Code, including the activities of the FCMAT.
16 The FCMAT's assistance under this section shall continue until
17 the school district is certified as positive pursuant to the definition
18 in paragraph (1) of subdivision (a) of Section 42131 of the
19 Education Code, or until all legal rights, duties, and powers are
20 returned to the governing board of the school district, whichever
21 comes first.

22 SEC. 6. For purposes of Article 2 (commencing with Section
23 41320) of, and Article 2.5 (commencing with Section 41325) of,
24 Chapter 3 of Part 24 of Division 3 of Title 2 of the Education Code,
25 the state administrator of the Inglewood Unified School District
26 is a public school employer within the meaning of the Educational
27 Employment Relations Act (Chapter 10.7 (commencing with
28 Section 3540) of Division 4 of Title 1 of the Government Code).

29 SEC. 7. (a) The Superintendent of Public Instruction, with
30 respect to the Inglewood Unified School District, may consider
31 the comprehensive assessment conducted by the County Office
32 Fiscal Crisis and Management Assistance Team (FCMAT) pursuant
33 to Section 41327.1 of the Education Code to meet the requirements
34 for the financial management review and recovery plan identified
35 in paragraph (1) of subdivision (a) of Section 41327.1 of the
36 Education Code.

37 (b) The improvement plan for personnel management specified
38 in paragraph (3) of subdivision (a) of Section 41327.1 of the
39 Education Code shall include, but not necessarily be limited to,
40 the following training:

1 (1) Training for members of the governing board of the
2 Inglewood Unified School District in the subjects about which
3 members of the governing board *of the school district* need to have
4 knowledge to effectively discharge their duties as school board
5 members, with specific training in the fiduciary responsibilities of
6 a governing board member and in the financial management
7 practices necessary for governing board members to effectively
8 discharge their duty to oversee and monitor the budget, accounting
9 practices, revenues, and expenditures of the school district. At a
10 minimum, each school board member shall participate in the
11 Masters in Governance training provided by the California School
12 Boards Association. The cost for this training shall be borne by
13 the school district.

14 (2) Training for all personnel with management, policymaking,
15 and advisory responsibilities who report or would report directly
16 to the state administrator, to ensure they have the knowledge and
17 skills to effectively administer their areas of responsibility
18 consistent with sound fiscal practices and the budgetary
19 requirements of the school district.

20 (c) Notwithstanding the timelines in subdivision (d) of Section
21 41327.1 of the Education Code, after the first written status report,
22 FCMAT shall file subsequent reports annually thereafter as
23 determined by the Superintendent of Public Instruction.

24 SEC. 8. (a) The sum of up to twenty-nine million dollars
25 (\$29,000,000) is hereby appropriated from the General Fund to
26 the Superintendent of Public Instruction for apportionment to the
27 Inglewood Unified School District for the purpose of an emergency
28 loan. In order to qualify for the loan, the school district shall
29 comply with Article 2 (commencing with Section 41320) of, and
30 Article 2.5 (commencing with Section 41325) of, Chapter 3 of
31 Part 24 of Division 3 of Title 2 of the Education Code to the extent
32 those provisions are consistent with the conditions specified in
33 this act.

34 (b) Funds may be disbursed from the proceeds of the loan only
35 if the state administrator and the County Office Fiscal Crisis and
36 Management Assistance Team jointly determine that the
37 disbursement is necessary to support the immediate cashflow needs
38 of the school district.

39 (c) Based on the needs of the school district to meet its
40 obligations, the Superintendent of Public Instruction may direct

1 the Controller to disburse, on a monthly basis, specific amounts
2 of the emergency loan before the approval of all of the conditions
3 established by this act.

4 (d) For the fiscal year in which the apportionments are disbursed
5 and each year thereafter, the Controller, or his or her designee,
6 shall cause an audit in lieu of the audit required by Section 41020
7 of the Education Code to be conducted of the books and accounts
8 of the school district. At the discretion of the Controller, the audit
9 may be conducted by the Controller, his or her designee, or an
10 auditor selected by the school district and approved by the
11 Controller. The costs of these audits shall be borne by the school
12 district. The audits shall be required until the Controller determines,
13 in consultation with the Superintendent of Public Instruction, that
14 the school district is financially solvent, but in no event earlier
15 than one year following the implementation of the plan or later
16 than the time the apportionment made is repaid, including interest.

17 SEC. 9. (a) ~~The~~ *Unless the emergency loan has been*
18 *refinanced pursuant to Section 10 of this act, the* Inglewood
19 Unified School District shall repay the emergency loan incurred
20 pursuant to Section 8 of this act as a straight-line loan amortized
21 over a 20-year term. This amount shall be repaid by the school
22 district, plus interest calculated at a rate equal to the rate earned
23 by the Pooled Money Investment Account on the date this act
24 becomes effective, for a period not to exceed 20 years.

25 (b) ~~If~~ *Unless the emergency loan has been refinanced pursuant*
26 *to Section 10 of this act, if* a required payment is not made within
27 60 days after a scheduled date, the Controller shall pay the
28 defaulted loan payment of principal and interest by withholding
29 that amount from the next available payment that would otherwise
30 be made to the county treasurer on behalf of the school district
31 pursuant to Section 14041 of the Education Code. However, subject
32 to the approval of the Department of Finance, the amount withheld
33 may be in monthly amounts as determined by an agreement
34 between the Inglewood Unified School District and the Controller
35 during the period beginning with the next available apportionment
36 through the month preceding the next scheduled payment.

37 (c) ~~The~~ *Unless the emergency loan has been refinanced pursuant*
38 *to Section 10 of this act, the* Director of Finance may amend the
39 payment schedule set forth in subdivision (a) if the director
40 concludes that the amendment is warranted and is in the best

interests of both the state and the Inglewood Unified School District education program. Upon that determination, the director shall notify the Joint Legislative Budget Committee that the payment schedule will be changed on the date that is 90 days from the date of notification if the Legislature is in session. If the 90-day period ends during a recess of the Legislature or while the Legislature is not in session, the 90-day period shall be extended until the Legislature reconvenes. Amendments to the payment schedule shall defer the unpaid portion of a repayment of the earliest fiscal year in which no other repayment is scheduled. Interest shall accrue on the unpaid portion of a repayment from the scheduled due date until the time the payment is actually made. The interest charge shall be the rate equal to the daily investment rate of the Pooled Money Investment Account on the date the pay schedule is changed.

(d) ~~The~~ *Unless the emergency loan has been refinanced pursuant to Section 10 of this act, the school district may repay its loan obligation without incurring any prepayment penalties.*

SEC. 10. The Inglewood Unified School District shall enter into ~~a lease bank~~ financing with the California Infrastructure and Economic Development Bank pursuant to ~~Section~~ *the bank's powers under the Bergeson-Peace Infrastructure and Economic Development Bank Act as set forth in Division 1 (commencing with Section 63000) of Title 6.7 of the Government Code and Sections 41329.52 and 41329.55 of the Education Code, upon terms the bank, in its discretion, deems necessary or appropriate for the purpose purposes of financing or refinancing the emergency apportionment, including a repayment to the General Fund of the amount advanced pursuant to Section 8 of this act. In addition to the financing or refinancing of the emergency apportionment, the bank financing made pursuant to this section may include funds necessary for reserves, capitalized interest, credit enhancements, and costs of issuance.* In addition to the amount advanced pursuant to Section 8 of this act, the school district may augment the emergency *apportionment or* loan with an additional twenty-six million dollars (\$26,000,000) of ~~lease bank~~ financing in order to increase the emergency *apportionment or* loan to a total of no more than fifty-five million dollars (\$55,000,000) *as the principal financing amount plus the amount of funds necessary for reserves, capitalized interests, credit enhancements, and costs of issuance*

1 *associated with each bank financing* and, as a result, increase the
2 amount of ~~lease the bank financing by the bank in accordance with~~
3 ~~subdivision (e) of Section 41329.52 of the Education Code. If a~~
4 *bank financing has been made, the Inglewood Unified School*
5 *District may prepay its bank financing obligations in accordance*
6 *with the terms of the bank financing documents.*

7 SEC. 11. (a) Notwithstanding Sections 17456, 17457, 17462,
8 and 17463 of the Education Code, or any other law, from
9 September 1, 2012, to June 30, 2015, inclusive, the Inglewood
10 Unified School District may sell property owned by the school
11 district and use the proceeds from the sale to reduce or retire the
12 emergency loan provided in Section 8 of this act. The sale only of
13 property pursuant to this subdivision is not subject to Section 17459
14 or 17464 of the Education Code.

15 (b) Notwithstanding any other law, from June 1, 2012, to June
16 30, 2015, inclusive, the Inglewood Unified School District is not
17 eligible for financial hardship assistance pursuant to Article 8
18 (commencing with Section 17075.10) of Chapter 12.5 of Part 10
19 of Division 1 of Title 1 of the Education Code.

20 SEC. 12. The Los Angeles County Superintendent of Schools
21 maintains the responsibility to superintend school districts under
22 his or her jurisdiction. This act does not remove any statutory or
23 regulatory rights, duties, or obligations from the county
24 superintendent of schools.

25 SEC. 13. The Legislature finds and declares that, due to unique
26 circumstances relating to the fiscal emergency in the Inglewood
27 Unified School District, a general statute cannot be made applicable
28 within the meaning of Section 16 of Article IV of the California
29 Constitution.

30 SEC. 14. No reimbursement is required by this act pursuant to
31 Section 6 of Article XIII B of the California Constitution because
32 the only costs that may be incurred by a local agency or school
33 district are the result of a program for which legislative authority
34 was requested by that local agency or school district, within the
35 meaning of Section 17556 of the Government Code and Section
36 6 of Article XIII B of the California Constitution.

37 SEC. 15. This act is an urgency statute necessary for the
38 immediate preservation of the public peace, health, or safety within
39 the meaning of Article IV of the Constitution and shall go into
40 immediate effect. The facts constituting the necessity are:

1 In order to address the fiscal emergency in which the Inglewood
2 Unified School District finds itself, and to ensure that it meets its
3 cash obligations for this fiscal year, it is necessary that this act
4 take effect immediately.

O